

Message Text

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15

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02

H-02 PA-01 USIA-06 PRS-01 /081 W

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R 072045Z MAR 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 0224

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E. O. 11652: N/A

TAGS: ECON, AR, EFIN

SUBJECT: GOA INITIATES PRICE FREEZE

REF: A. BA 9062 AND B. BA 1038

1. GOA HAS JUST ISSUED NEW RESOLUTION (NO. 1987) EFFECTIVELY FREEZING PRICES AT FEBRUARY 28, 1975 LEVELS. PROCEDURES UNDER DECREE 1400 (SEE BA 9062) BY WHICH COMPANIES COULD OBTAIN SEMI-AUTOMATIC PRICE INCREASES FOLLOWING ADOPTION OF SPECIFIC RESOLUTION FOR EACH SECTOR, ARE NOW RESCINDED. HOWEVER, MINISTRY OF ECONOMY REGAINS SOME FLEXIBILITY TO ACT ON PENDING APPLICATIONS, OR TO GRANT NEW PRICE INCREASES IF REQUIRED.

2. ASKED IN PRESS CONFERENCE IF NEW RESOLUTION MARKED END OF PRICE FLEXIBILITY PROGRAM, ECONOMY MINISTER GOMEZ MORALES WAS NON-COMMITAL. HE SAID NEW RESOLUTION NEITHER PROVISIONAL NOR DEFINITIVE, ADDING PRICES WILL BE RAISED IF COST INCREASES REQUIRE IT.

COMMENT: OUR PRELIMINARY INTERPRETATION IS THAT NEW RESOLUTION REPRESENTS TEMPORARY INTERRUPTION OF "PRICE FLEXIBILITY" POLICY RATHER THAN REVERSION TO EARLIER
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RIGID CONTROL PROGRAM. ONE GOA SOURCE STATED PRICE

FREEZE MAY LAST UNTIL JUNE. ITS MAJOR PURPOSE IS TO
MOLLIFY CGT AND HOLD DOWN LABOR WAGE DEMANDS IN PRIVATE
COLLECTIVE BARGAINING SESSIONS WHICH JUST BEGAN.
EVEN IF ONLY TEMPORARY, NEW FREEZE WILL BE MOST UNPOPULAR
WITHIN LOCAL BUSINESS COMMUNITY. MANY COMPANIES DID
NOT GET PRICE INCREASES DURING "FLEXIBILITY" PERIOD
BECAUSE GOA DID NOT MOVE RAPIDLY ENOUGH TO ADOPT
NECESSARY RESOLUTIONS. IT APPEARS THESE ENTITIES MAY
BE ESPECIALLY HEAVILY PENALIZED.

IN PRACTICE, PRICE FREEZE IS LIKELY TO ADD TO ECONOMIC
PROBLEMS AND DISTORTIONS. THOSE COMPANIES ABLE TO GET
AWAY WITH IT WILL RAISE PRICES ANYWAY WHILE OTHERS SUFFER
CONSEQUENCES.
HILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: COST OF LIVING, PRICE CONTROLS, RESOLUTIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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05 JUL 2006

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